

SERVICE SUPPLY CHAIN APPROACH FOR SERVICE FAILURE AND RECOVERY

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ABSTRACT

The primary goal of the study is to explore the effect of the doer of service failure and recovery in tourism service supply chain on overall customer satisfaction and repurchase intention of diverse partners in the chain. Tourism service supply chain has been selected as the setting of this study as service failures are inevitable and also common. These failures, if not remedied, may produce negative outcomes such as customer dissatisfaction, negative word-of-mouth, and decreased customer loyalty; all of which leads to decreased profits. In that sense, developing effective service recovery policies has become another important focus for both academicians and practitioners since these policies are the way of reversing the negative outcomes caused by a failure.

Prior experiences, furthermore, by forming expectations could influence responses of customers such as satisfaction and repurchase intention.

By applying scenario-based experiments, this study shows the dynamics by which service failure, good prior experience, and service recovery affect overall customer satisfaction and repurchase intention.

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The results demonstrate that presence of good prior experience with a company does not act as a buffer, and does not guarantee positive outcomes for partners in the supply chain when a customer experiences a service failure. Furthermore, results indicate that if the criticality of an event is high, customers perceive differences between doers of the failure. Their level of overall customer satisfaction and repurchase intention for a party (i.e. travel agency) decreases if failure is executed by the same party. Similarly, their overall customer satisfaction and repurchase intention for a party increases when service recovery is provided by the same party. Additionally, there is an interaction effect between service failure and recovery on overall customer satisfaction and repurchase intention for travel agency.

Keywords: *Service Failure, Service Recovery, Agency Theory, Tourism Service Supply Chain, Good Prior Experience, Travel Agency, Hotel, Justice Theory*